

From : 22-01-2016
To : 23-11-2017
Performance : 40%
Recommendation : CLOSED



Background & Business

TTL is a leading manufacturer of steam turbines with nearly 60% market share in domestic market, which it has retained for nearly past decade. Being the dominant player in the domestic industry which mainly caters to sugar, cement, food processing, chemicals, paper and fertilizers, it has faced deterioration in domestic order book due to overall industrial slowdown. However, the domestic market (~60% of TTL's consolidated revenues) is expected to stage a recovery over the next 1 – 2 years led by strong Government reforms trajectory leading to revival in corporate capex. TTL's exports have done exceedingly well, supporting the slowdown in domestic business. Exports contributed ~40% to consolidated sales for FY17. With the enquiry book from the international market steadily growing, order inflow is also following suit.

Investment Thesis

For a company like TTL, performance should always be evaluated based on its full year or half year numbers. However since past 3 quarters (Q4FY17-Q2FY18) company's performance has deteriorated substantially. In Q2FY18 concall, management commented that effects of GST are stretched for longer period and may continue further too, giving clear indications of likely continuation of weakness in coming quarters. TTL derives ~50% of its business from domestic market which is currently under stress. According to the management, due to slowdown in domestic market, the competition amongst the major producers have become intense which in turn is impacting the prices and the margins. While enquiries and order book growth for TLL has always remained healthy, conversion of these orders into revenues has become a challenge for the company.

Outlook

TTL derives ~50% of its business from domestic market which is currently under stress. According to the management, due to slowdown in domestic market, the competition amongst the major producers have become intense which in turn is impacting the prices and the margins. While enquiries and order book growth for TLL has always remained healthy, conversion of these orders into revenues has become a challenge for the company. Also, at current market price of Rs. 140, TTL is trading at 37xs its FY17 EPS of Rs. 3.7. which we feel is quite expensive as we don't foresee any strong uptick in its financial metrics in near to medium term.

